



Public Power Council

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November 17, 2000

VIA OVERNIGHT DELIVERY

David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: U.S. Department of Energy - Federal Energy Regulatory Commission
FERC Docket No. RT01-15-000 and FERC Docket No. RT01-35-000

Dear Mr. Boergers:

Enclosed for filing in the above captioned proceedings are 1) an original and 15 copies of the Motion for Leave to Intervene and Protest of the Public Power Council in FERC Docket No. RT01-15-000; and 2) an original and 15 copies of the Motion for Leave to Intervene and Protest of the Public Power Council in FERC Docket No. RT01-35-000. Please date and time stamp the extra copies and return them to me in the enclosed self-addressed, stamped envelope.

Thank you for your assistance in this matter.

Sincerely,

Kyle D. Sciuchetti
Attorney for the Public Power Council

Enclosures

cc: RT01-15-000 Service List
RT01-35-000 Service List

1 UNITED STATES OF AMERICA
2 BEFORE THE
3 FEDERAL ENERGY REGULATORY COMMISSION

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3 Avista Corporation,) Docket No. RT01-35-000
4 Bonneville Power Administration,)
5 Idaho Power Company,)
6 Montana Power Company)
7 Nevada Power Company,)
8 PacifiCorp,)
9 Portland General Electric Company,)
10 Puget Sound Energy, Inc.,)
11 Sierra Pacific Power Company.)

12 MOTION FOR LEAVE TO INTERVENE AND PROTEST
13 OF THE PUBLIC POWER COUNCIL

14 The Public Power Council (PPC) submits this Motion for Leave to
15 Intervene and Protest in the above referenced proceeding pursuant to the Federal
16 Energy Regulatory Commission's (Commission's) Notice of Filing dated
17 October 30, 2000, and in accordance with Rules 211 and 214 of the
18 Commission's Rules of Practice and Procedure, 18 CFR 385.211 and 385.214. In
19 support of its Motion for Leave to Intervene and Protest, PPC says the following:

20 PPC requests that the following persons be included on the official service
21 list for these proceedings, and that all correspondence, communications and
22 pleadings be served upon

23 //

24 //

25 //

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9 I. INTRODUCTION

10 In response to Order 2000, Avista Corporation (Avista), Bonneville Power
11 Administration (BPA), Idaho Power Company (IPC), The Montana Power
12 Company (MPC), Nevada Power Company (Nevada Power), PacifiCorp,
13 Portland General Electric (PGE), Puget Sound Energy, Inc. (PSE), and Sierra
14 Pacific Power Company (Sierra) ("Filing Utilities") initiated a regional process to
15 develop a regional transmission organization (RTO) for the Pacific Northwest
16 that would meet or exceed the minimum requirements identified in Order 2000
17 while meeting the needs of the Filing Utilities, their consumers, and other
18 interested parties. Regional Transmission Organizations, Order No. 2000, 65
19 Fed. Reg. 809 (2000). This process established technical workgroups and a
20 policy body for identifying options, resolving issues, and reaching consensus on
21 the structure, formation, and responsibilities of RTO West. The consensus
22 opinion was then forwarded to the Filing Utilities, which were responsible for
23 filing the proposal with the Commission.
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1 On October 16, 2000, the Filing Utilities submitted an Alternative Filing
2 Pursuant to Order 2000. They submitted a Supplemental Compliance Filing and
3 Request for Declaratory Order Pursuant to Order 2000 dated October 19, 2000,
4 on October 23. This material includes the Filing Utilities' proposal to form an
5 RTO that would comply with Order 2000. (Filing Util.s' Supp. Comp. Filing
6 Req. Decl. Order at 1.) In addition, the Filing Utilities requested an expedited
7 declaratory order with respect to certain documents and information. Notice of
8 the Filing was published in the Federal Register on October 30, 2000, and
9 interventions and protests are due November 20. 65 Fed. Reg. 64,693 (2000).
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11 **II. MOTION FOR LEAVE TO INTERVENE**

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13 PPC represents the common interests of public preference utility
14 customers of BPA on rate matters and power planning and supply issues. PPC
15 members are publicly- or cooperatively-owned electric utilities that serve
16 consumers throughout seven Northwestern states.
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18 PPC members purchase power and transmission from BPA under long-
19 term contracts for power and transmission services. Once the RTO is established,
20 PPC members that join the RTO would then purchase transmission services and
21 products directly from RTO West. Pursuant to the Commission's expectation as
22 provided in Order No. 2000, PPC and PPC members have participated in the
23 meetings, work groups and process for establishing RTO West. 65 Fed. Reg.
24 809, 928 (2000). PPC submits its Motion for Leave to Intervene and Protest, and
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1 requests that the Commission consider and take action with regard to several
2 aspects of the Filing Utilities' Filing that PPC believes are either insufficient to
3 sustain a successful RTO or contrary to the Commission's intent as provided in
4 Order 2000. PPC reserves its right to address arguments raised by other protests
5 and interventions.
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7 Because PPC members will be asked to join the RTO and convert existing
8 rights under contract from BPA to RTO West, PPC has a direct and substantial
9 interest in this proceeding. The interests of PPC cannot be adequately protected
10 by any other party.
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12 **III. PROTEST**

13 A. Summary

14 The Filing Utilities worked to comply with the requirements of Order
15 2000 in a regional process to try to address the needs of their residential
16 consumers, industrial customers, power marketers, tribes and other interested
17 parties. The process yielded the proposal for RTO West, which is being filed
18 with the Commission in multiple stages. The materials submitted as the stage 1
19 Filing are extremely limited in scope, and include a few documents submitted for
20 Commission approval and many documents for Commission information.
21

22 Although many of the concepts contained in the stage 1 Filing are designed to
23 facilitate robust power markets, the Filing does not assure an independent
24 governance structure, and has flaws in scope and configuration that will impair
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1 RTO West's ability to achieve anticipated benefits of an RTO. Moreover, the
2 stage 1 Filing contains insufficient detail to determine whether the minimum
3 characteristics and functions required under Order 2000 will be achieved.

4 Finally, there are certain aspects of electric markets and transmission systems of
5 the Pacific Northwest that must be addressed before RTO West should be
6 approved.
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8 The regional process ought to be continued for the stage 2 Filing in order
9 to refine the proposal, to develop clarifying materials, and to investigate and
10 document the impact on all affected parties of RTO West. The Commission
11 should withhold an expedited declaratory order pending receipt of such additional
12 material.
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14 B. Bylaws of RTO West

15 PPC protests a number of provisions within the Bylaws of RTO West.
16 PPC believes that the utilities comprising the independent transmission company
17 (ITC), a.k.a. TransConnect, LLC, should not be allowed to join the Transmission-
18 Dependent Utilities Class and compel weighted voting within the class as
19 proposed in the Filing Utilities' Supplemental Compliance Filing and Request for
20 Declaratory Order. (Filing Util.s' Supp. Comp. Filing Req. Decl. Order at 82-
21 83.) Unlike the more than 100 public utilities that will be a part of the
22 Transmission-Dependent Utilities Class, the ITC utilities will maintain a financial
23 connection to TransConnect. (Filing Util.s' Supp. Comp. Filing Req. Decl. Order
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1 at 82.) Each utility's percentage of ownership depends upon the amount of assets
2 that utility has contributed to the ITC. (Filing Util.s' Supp. Comp. Filing Req.
3 Decl. Order at 51-52.) These financial connections to TransConnect, a proposed
4 member of the Major Transmitting Utilities Class, should disqualify any of the
5 ITC utilities from joining the Transmission-Dependent Utilities Class.
6
7 Furthermore, allowing the ITC utilities to join the Transmission-Dependent
8 Utilities Class would irreconcilably divide the interests of that class. This
9 division of interests is so great that the ITC companies felt compelled to propose
10 a weighted voting system whereby they are assured of controlling a significant
11 portion of the votes within the class. (Filing Util.s' Supp. Comp. Filing Req.
12 Decl. Order at 82-83.) While PPC urges the Commission to deny the ITC
13 utilities' proposal to become members of the Transmission-Dependent Utilities
14 Class, at the very least the voting should be one member-one vote so as not to
15 give a smaller division of the class an unfair advantage at the expense of the
16 remaining members.
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19 In the event that the Commission approves of the Filing Utilities'
20 weighted voting proposal, PPC encourages the Commission to consider an 80%
21 super-majority voting requirement for the two votes that are dependent upon the
22 load-weighted voting mechanism outlined in Article V, Section 3(b)(ii)(A) of
23 RTO West bylaws. (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach.
24 J at 18.) While certainly not as reasonable and unambiguous as one vote-one
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1 member, the super-majority proposal would serve to maintain the independence
2 characteristic that the Commission established as a guiding principle in the
3 formation of an RTO. 65 Fed. Reg. 809, 842 (2000).

4 PPC protests the Filing Utilities' proposal to require that at least two-
5 thirds of all Board of Trustee candidates have significant experience at a
6 company or government entity "having revenues or an operating budget greater
7 than or equal to five percent (5%) of the gross book value of the assets operated
8 by the RTO". (Filing Util.s' Supp. Comp. Filing Req. Decl. Order at 81-82, and
9 Attach. J at 27.) Such a requirement arbitrarily eliminates from consideration
10 officers or board members of smaller companies who would be just as well-suited
11 to sit as members of the Board of Trustees. The Filing Utilities' proposal
12 needlessly stacks the deck in favor of Board of Trustee candidates that more
13 closely resemble themselves.

14 PPC protests the Filing Utilities' proposal to allow a Trustee to hold a
15 financial interest in a Market Participant for six months following the Trustee's
16 election to the Board of Trustees, or indefinitely provided the Commission grants
17 its permission. (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach. J at
18 34-35.) This provision violates the Commission's first required characteristic
19 that the RTO must be independent of market participants as provided in Order
20 2000. 65 Fed. Reg. 809, 842. Any movement whatsoever toward permitting
21 Trustees to hold financial interests in Market Participants is intolerable.
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1 Finally, PPC protests that the proposed \$1,000 annual membership fee that
2 must be paid to become a Member of one of the Member Classes. (Filing Util.s'
3 Supp. Comp. Filing Req. Decl. Order at 82.) It is too high for smaller public
4 utilities to afford. A more reasonable membership fee of \$250 would have the
5 effect of generating wider participation in the RTO, a goal espoused by the
6 Commission. 65 Fed. Reg. 809, 862 (2000).
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8 C. Transmission Operating Agreement

9 PPC protests the vague reference within the transmission operating
10 agreement that appears to grant BPA and RTO West the ability to circumvent the
11 statutory requirement to honor certain regional preference rights as provided in
12 section 9(i)(3) of the Northwest Power Act. (Filing Util.s' Supp. Comp. Filing
13 Req. Decl. Order, Attach. S at 18-19.) Pacific Northwest Electric Power
14 Planning and Conservation (Northwest Power) Act § 9(i)(3), 16 U.S.C.
15 § 839f(i)(3) (1994). The vague reference undermines the purpose of the statute
16 by permitting RTO West to charge BPA if BPA requests RTO West to respect
17 regional transmission preference rights. BPA customers should not be forced to
18 pay a charge to enjoy the protections to which they are entitled by statute. PPC
19 protests any attempt to establish such a charge.
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1 D. Fulfillment of Minimum Characteristics Required by Order 2000

2 1. RTO West's Scope and Regional Configuration

3 The Filing Utilities note that "RTO West will encompass a highly
4 interconnected area and will internalize a majority of the constrained paths that
5 affect transfer within its region." (Filing Util.s' Supp. Comp. Filing Req. Decl.
6 Order at 61.) Avista, BPA, IPC, MPC, PacifiCorp, PGE, PSE and Sierra are
7 members of the Northwest Power Pool and an RTO West configuration that
8 includes these utilities is appropriate. Nevada Power, which is not a member of
9 the Northwest Power Pool, has far stronger bulk power marketing relationships
10 and necessary electrical interconnections with the southwest. PPC believes that
11 the inclusion of Nevada Power in RTO West could expose Northwest public
12 power utilities and their consumers to additional RTO West uplift costs
13 associated with the inclusion of Nevada Power without being able to realize any
14 benefits of being able to sell to or purchase from the Nevada Power market. The
15 Filing Utilities should demonstrate that RTO West is not worse off including
16 Nevada Power. PPC believes the Commission should include Nevada Power if
17 RTO West is neutral or improved by including Nevada Power's transmission
18 facilities, and exclude Nevada Power if Nevada Power would increase cost shifts
19 across the RTO West seams or impair administration or operation of RTO West.
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24 PPC is troubled that facilities to be included as "RTO West Controlled
25 Facilities" (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach. S at 87)

1 may be too limited to assure that robust power markets are facilitated; that
2 operational authority and short-term reliability benefits are achieved; and that
3 RTO West's planning authority and backstop are strong and broad enough to
4 assure that the minimum functions of service to load, congestion relief and
5 generation siting are achieved. RTO West Controlled Facilities should be
6 expanded to include, regardless of voltage, all facilities used under normal
7 operating conditions for wholesale power transactions to existing distribution
8 utilities, as well as those necessary for operational control and management of
9 constrained paths. PPC believes BPA's approach is correct. BPA has said that it
10 intends to include in RTO West its entire transmission system because the BPA
11 system is used for delivery of wholesale power transactions. If the definition of
12 RTO West Controlled Facilities is limited as defined in the proposed
13 Transmission Operating Agreement, then there is significant risk that many
14 transmission facilities needed for delivery of wholesale transactions to existing
15 distribution utilities will be excluded from RTO West, which could result in
16 wholesale power providers facing transmission terms and conditions that are
17 neither comparable nor consistent. Inclusion of this wide range of transmission
18 facilities promotes non-pancaked wholesale transactions, non-discriminatory
19 open access transmission service under a single RTO West tariff, and full
20 operational authority over the grid. PPC asks the Commission to encourage the
21 remaining eight Filing Utilities to adopt BPA's approach.
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1 PPC does not advocate that RTO West have a right to expand beyond its
2 transmission role. The potential for voltage pancaking of wholesale power
3 purchases appears to be limited to existing utilities receiving their transmission
4 service pursuant to a general transfer agreement between BPA and a third-party.
5 Thus, PPC suggests limiting facilities included in RTO West to those
6 transmission facilities used to provide wholesale deliveries to existing
7 distribution utilities served under general transfer agreements between BPA and a
8 third party, and listing them in Exhibit C, Pre-Existing Transmission Agreements,
9 of the proposed Transmission Operating Agreement.
10

11 PPC acknowledges that distribution utilities require operational control
12 over their own local facilities to assure reliable service to their own retail load,
13 and there may not be a bright line separating distribution from local transmission.
14 Local utilities should have operational control over their own facilities that do not
15 form part of the main grid delivery system, are used for service to the utility's
16 load, and have no impact on RTO West operations. In the unusual case of a
17 distribution utility's facility being used for both wholesale and retail transactions,
18 the distribution utility's preference should prevail, particularly if loss of
19 operational control has an impact on the utility's ability to provide reliable and
20 competitive service to its load.
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1 2. Operational Authority and Short-Term Reliability

2 The proposed Transmission Operating Agreement appears to provide RTO
3 West with full authority over the transmission facilities under its control. Yet the
4 definition of "RTO West Controlled Facilities" is too limited to assure
5 widespread benefits of this authority as described in section III.D.1 above. PPC
6 believes that the Filing Utilities' proposal for an RTO West Security Coordinator
7 will achieve operational authority and short-term reliability. (Filing Util.s' Supp.
8 Comp. Filing Req. Decl. Order, Attach. S at 25.)

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10 E. RTO West Functions

11 1. RTO West's Tariff Administration

12 Documents identifying how the minimum functions required of an RTO
13 will be achieved are not available in the stage 1 Filing and will not be filed until
14 spring 2001. These include a tariff, load integration agreement, generation
15 integration agreement and scheduling coordinator agreement. Lacking these
16 agreements, it is impossible to determine whether RTO West will satisfy the
17 minimum functions required by Order 2000. PPC asks the Commission to
18 withhold its declaratory order until such agreements are available in the spring of
19 2001.
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1 2. RTO West's OASIS Proposal

2 The proposal for an RTO West OASIS site appears to satisfy the Order
3 2000 minimum requirements. (Filing Util.s' Supp. Comp. Filing Req. Decl.
4 Order, Attach. S at 21.)

5 3. RTO West's Ancillary Services Proposal

6 There is a white paper on ancillary services (Filing Util.s' Supp. Comp.
7 Filing Req. Decl. Order, Attach. N) but additional details will not be available
8 until the stage 2 Filing, set for the spring of 2001. The Filing Utilities have
9 proposed that RTO West be the provider of ancillary services as a last resort, as
10 required by Order 2000. 65 Fed. Reg. 809, 895 (2000).

11 4. RTO West's Congestion Management Proposal

12 Although a white paper on congestion management exists (Filing Util.s'
13 Supp. Comp. Filing Req. Decl. Order, Attach. M), there is not enough material to
14 comment on the RTO West proposal. For example, lists of flowpaths and
15 congestion management zone maps will not be available until the stage 2 Filing is
16 made. Section 15.3 of the Transmission Operating Agreement says that if
17 operating conditions reduce total transfer capability such that a path is
18 overallocated, "RTO West shall allocate a proportion of the available Flowpath
19 capability to the Executing Transmission Owner pro rata to the amount of its
20 initially allocated Firm Transmission Rights entitlements on such Flowpath."
21 (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach. S at 53.) PPC
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1 believes that a pro rata reduction is too extreme as an initial solution. Rather,
2 other approaches to addressing the problem, such as redispatch or buy-back of
3 firm transmission rights, should be considered before resorting to pro rata
4 reductions.

5 PPC endorses the RTO West proposal to provide firm transmission rights
6 for load growth as described in the Filing. (Filing Util.s' Supp. Comp. Filing
7 Req. Decl. Order, Attach. S at 53.) The language in the Filing should be clarified
8 to assure that the proposal applies to pre-existing point-to-point transmission
9 contract holders for that portion of contract demand needed to serve the contract
10 holder's own load growth as well as to holders of pre-existing network
11 transmission agreements.
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14 PPC supports RTO West's intent to grant non-converted rights-holders
15 equal treatment as holders of firm transmission rights (Filing Util.s' Supp. Comp.
16 Filing Req. Decl. Order, Attach. S at 53); and to assure that executing
17 transmission owners' obligations to satisfy terms of non-converted transmission
18 agreements are fulfilled through either firm transmission rights or through RTO
19 West withholding sufficient transmission capacity (Filing Util.s' Supp. Comp.
20 Filing Req. Decl. Order, Attach. S at 51).
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23 The consensus reached through the regional process concerning rollover
24 rights of non-converted transmission contracts is not reflected in the Filing
25 Utilities' Transmission Operating Agreement section 15.2.3. This section limits

1 rollover rights to contracts for "which rights do not rely on the Executing
2 Transmission Owner's open access transmission tariff," but no such limitation
3 was part of the regional consensus position. (Filing Util.s' Supp. Comp. Filing
4 Req. Decl. Order, Attach. S at 53.) Further, the final sentence of section 15.2.3
5 was intended to reflect a principle that transmission for service to load could be
6 rolled over under terms agreed to by the parties to the pre-existing agreement.
7 (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach. S at 53.) The
8 language in this section must be clarified to avoid misinterpretation.
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10 5. RTO West's Market Monitoring Proposal

11 Market monitoring appears to meet the minimum standard under Order
12 2000, though the activities thereunder may be too limited. The RTO West
13 market monitoring function will monitor RTO markets, but non-RTO markets
14 will merely be evaluated and reported on annually. (Filing Util.s' Supp. Comp.
15 Filing Req. Decl. Order, Attach. O.) On November 1, 2000, the Commission
16 issued its Order Proposing Remedies for California Wholesale Electric Markets.
17 65 Fed. Reg. 67,040 (2000). In light of this order, PPC recommends that the
18 Filing Utilities explore the possibility of expanding the market monitoring
19 function to include monitoring and analyzing the competitiveness of non-RTO
20 power markets, at least during seasons when market volatility could exist.
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1 6. RTO West's Parallel Paths Proposal

2 Treatment of parallel paths appears consistent with Order 2000. 65 Fed.
3 Reg. 809, 888 (2000). PPC supports the RTO West proposal to adopt uniform
4 flow-based scheduling protocols, but only to the extent that pre-existing contracts
5 and non-converted contracts are not affected. This should commence at RTO
6 West startup.
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8 7. RTO West's Planning Proposal

9 Although the Filing shows that RTO West would have a role in
10 transmission planning, PPC feels that RTO West's planning function is not clear
11 enough, particularly in the area of the planning backstop which would assure
12 expansion for reliable transmission service to load. (Filing Util.s' Supp. Comp.
13 Filing Req. Decl. Order, Attach. P.) There does not appear to be language in the
14 proposed Transmission Operating Agreement which grants RTO West the
15 authority to allocate costs associated with the planning backstop. The planning
16 backstop described in Attachment P is ineffective if RTO West has no authority
17 to allocate costs. This appears inconsistent with the Commission's desire that
18 "the RTO can direct or arrange for the construction of expansion projects that are
19 needed to ensure reliable transmission services." 65 Fed. Reg. 809, 909 (2000).
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22 PPC believes tension will exist between the ITC/TransConnect's proposed
23 planning function and that of RTO West. For example, the RTO West planning
24 approach expects participating transmission owners to consider "any necessary
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1 replacements, reinforcements, or non-transmission solutions". (Filing Util.s'
2 Supp. Comp. Filing Req. Decl. Order, Attach. P at 2.) The ITC utilities
3 ("Applicants") assert in their Order 2000 Compliance Filing and Petition for
4 Declaratory Order that "By providing a profit motive for the planning and
5 development of new transmission, transmission will be built". (Appl.s' Order
6 No. 2000 Comp. Filing Pet. Decl. Order at 20.) This suggests that the
7 ITC/TransConnect motive is transmission-oriented, thus distorting price signals
8 and introducing bias in favor of transmission at the expense of non-transmission
9 but cost-effective solutions to resolving congestion or other planning problems
10 such as demand-side management and generation siting. PPC is concerned that if
11 two entities are responsible for main grid planning, there is a danger of failing to
12 achieve "a least cost outcome that maintains or improves existing reliability
13 levels." 65 Fed. Reg. 809, 909 (2000).

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17 There is not necessarily a bright line between transmission and
18 distribution. PPC believes that RTO West must confine its planning function to
19 transmission facilities of participating transmission owners, and that meaningful
20 dispute resolution procedures exist in the event there are disagreements between
21 RTO West and any transmission owner.

22 8. Interregional Coordination

23
24 PPC feels that interregional coordination ("seams issues") have not been
25 adequately considered or addressed by RTO West. The Filing Utilities' plans

1 reflect a concern for assuring interregional coordination and for identifying seams
2 issues prioritized with RTO West's neighbors. (Filing Util.s' Supp. Comp. Filing
3 Req. Decl. Order, Attach. Q.) Principles for seams management at the
4 California-Oregon interface were discussed, as described in Attachment Q. But
5 beyond statements that the parties will continue to meet, nothing shows that
6 seams issues would be resolved in time to assure smooth operation between RTO
7 West and California. The seams situations of RTO West-Desert STAR and RTO
8 West-Rocky Mountain are even less clear. Without resolution of issues and
9 technical requirements such as scheduling, power accounting, operational
10 practices, pricing/pancaking or congestion management, interregional
11 transactions cannot function effectively. The pricing proposal is an example of
12 failure to address a seams issue. The RTO West pricing proposal, without an
13 export charge, relies on reciprocity agreements with other RTOs. No such
14 agreement has been reached, and Desert STAR appears to have an export charge
15 as part of its pricing proposal.

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19 PPC believes that the Filing Utilities have not dealt with the seams issues
20 adequately, and that the minimum requirements under Order 2000 have not been
21 met. The Commission should instruct the RTO West Filing Utilities to submit in
22 their stage 2 Filing a seams plan that meets the minimum requirements of Order
23 2000.
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1 F. BPA-Specific Issues

2 1. BPA's Treasury Repayment and Bondholder Obligations

3 BPA must recover sufficient revenues to cover its total system costs,
4 pursuant to statute. 16 U.S.C. § 839(4) (1994). PPC cannot emphasize enough
5 how important it is for public power, the Pacific Northwest and the nation that
6 BPA meet its obligations to repay the U.S. Treasury and to third-party
7 bondholders. The Filing Utilities have made a concerted effort to address this
8 issue by proposing tools such as the use of a lock box mechanism and payment
9 agent. (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach. S at 47.)
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11 BPA's obligations are at risk if the pricing model fails. The pricing model
12 can fail for want of an export charge, or if transfer payments necessary to
13 reimburse BPA for pre-existing agreements with other participating transmission
14 owners under the pricing proposal are insufficient. In light of BPA's obligations
15 to the U.S. Treasury and third-party bondholders, PPC believes that BPA should
16 not turn over its transmission facilities to RTO West until BPA is assured that
17 these obligations are not at risk on account of the RTO West pricing proposal.
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19 2. BPA's Fish and Wildlife Obligations

20 BPA has statutory obligations to mitigate adverse impacts of the federal
21 hydropower system on fish and wildlife. 16 U.S.C. §§ 839(6), 839b(h)(11)(A)
22 (1994). The Filing Utilities have made efforts to assure that BPA's obligations
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1 are not jeopardized. (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach.
2 S at 25.)

3 3. Other BPA Requirements

4 PPC understands that the BPA budget is contained within the President's
5 budget. See Bonneville's Exemption from the Balanced Budget and Emergency
6 Deficit Control Act of 1985, 2 U.S.C. § 905(g)(1)(A) (1994). If RTO West can
7 compel BPA to incur expenses, PPC believes that the BPA budget will be
8 directly affected, thus affecting the President's budget. PPC urges the
9 Commission to withhold full approval of BPA participation in RTO West until it
10 is clear that the BPA budget will not be affected through RTO West direction,
11 and that the Filing Utilities work to find a way to preserve the budget while not
12 impairing RTO West's ability to function effectively.

13 G. Other Issues

14 1. RTO West Principle of Sustained Consumer Benefits

15 Attachment B to the stage 1 Filing lists the Filing Utilities' RTO
16 principles. (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach. B.)
17 RTO West meets the majority of these principles. Supporting documents
18 associated with almost all of the principles have been or will be included in the
19 RTO West Filing.
20

21 The second of these principles is, "The RTO shall provide sustainable
22 consumer benefits." (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach.
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1 B at 1.) The Filing Utilities need to demonstrate, before RTO West is approved
2 by FERC, that RTO West actually provides sustainable benefits to consumers in
3 the area served by the RTO. BPA, the largest transmission provider in the RTO
4 West area, assured Congressman Peter DeFazio on November 1, 2000, that
5 "Based on the analysis and information available, BPA continues to support
6 development of an RTO that meets the future needs of the region, both for
7 reliability and efficiency. *BPA will continue to evaluate and assess its*
8 *participation in an RTO against its principle that an RTO must provide*
9 *sustainable benefits.*" (Letter from BPA Administrator Judith A. Johansen to
10 Representative Peter A. DeFazio of 11/1/00 at 3 (emphasis added).) BPA's
11 qualification is notable, because the cost-benefit analysis has not been completed.
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14 The cost-benefit study is particularly important to RTO West because of
15 the specific historical circumstances prevailing in the Pacific Northwest. BPA
16 has historically been the dominant transmission provider in the region, and there
17 has been a tradition of cooperative planning within the Northwest on
18 transmission matters. Cooperation has extended so far that both BPA and IPC
19 have built facilities specifically to wheel power for other entities. For example,
20 BPA built the Townsend-Garrison line in Montana in order to wheel power from
21 a thermal plant complex owned by investor-owned utilities in exchange for a
22 contractual commitment by those utilities to pay the costs of the line. So, some
23 of the circumstances prevailing in other parts of the country regarding excessive
24
25

1 balkanization and lack of cooperation with respect to transmission facilities that
2 may argue for the establishment of RTOs elsewhere are less pertinent to the
3 Northwest.

4 The cost-benefit study for RTO West has not been completed. The
5 primary quantifiable benefit asserted for RTO West – that establishment of RTO
6 West will reduce the number of catastrophic collapses of the regional
7 transmission system – is still under review. Likewise, still under review are the
8 issues of the extent to which generation dispatch will be improved by the
9 establishment of RTO West; and whether any benefits conferred by RTO West
10 will stay in the region or will be exported elsewhere in the Western Systems
11 Coordinating Council. This is an extremely significant issue, because BPA and
12 other Northwest parties built a special purpose transmission line to connect the
13 Northwest and California. BPA currently charges the costs of that line to those
14 entities that actually use that line, rather than to BPA transmission customers
15 generally. If that charge is eliminated, and the elimination of that charge causes
16 overall power rates in the Northwest to rise, and overall power rates in the
17 Southwest to fall, substantial economic harm will inure to electric consumers in
18 the Northwest.

19 Because RTO West may cause large cost shifts, FERC should not approve
20 the establishment of RTO West until a valid cost-benefit analysis is filed showing
21 that consumers in the RTO West area will enjoy “sustainable benefits”. We point
22

1 out that one of the Commission's concerns in Order 2000 is the potential impact
2 of cost shifts on the customers in "low cost" states. 65 Fed. Reg. 809, 914
3 (2000).

4 2. RTO West's Pricing Construct

5 PPC supports the concept of having company rates for 10 years. (Filing
6 Util.s' Supp. Comp. Filing Req. Decl. Order at 36; and Attach. S at 80.) This
7 proposal has gone far in addressing some of the problems of cost shifts that
8 existed with IndeGO. PPC is concerned that the no-export-charge feature of the
9 pricing proposal may expose Northwest loads to cost shifts, particularly if newly-
10 sited generation can be exported over uncongested paths and no revenues are
11 derived from the sale of firm transmission rights. PPC recommends that the
12 Filing Utilities continue to explore alternatives to their pricing proposal that
13 would retain company rates for 10 years while protecting Northwest loads from
14 cost shifts.
15

16
17 The Filing Utilities propose that RTO West pricing be entirely load-based
18 and therefore not include an export charge. (Filing Util.s' Supp. Comp. Filing
19 Req. Decl. Order at 35.) We note that four of the Filing Utilities -- Nevada
20 Power, PGE, PSE and Sierra -- acknowledge "there are difficult hurdles
21 associated with issues relating to import and export charges that must be cleared
22 before they proceed to implementation of the proposal." (Filing Util.s' Supp.
23 Comp. Filing Req. Decl. Order at 15.) We interpret this to mean that there is a
24
25

1 split within the ranks of the Filing Utilities as to whether an export charge should
2 be included in the pricing proposal. Inasmuch as Desert STAR proposed an
3 export charge, PPC believes RTO West should have one.

4 3. Continuation of a Regional Forum

5 The regional forum adopted by the Filing Utilities provided all
6 stakeholders an opportunity to participate in the development of RTO West,
7 consistent with the Filing Utilities' 13th principle that "The Filing Transmission
8 Owners shall assure public involvement in the process for creating the RTO."

9 (Filing Util.s' Supp. Comp. Filing Req. Decl. Order, Attach. B at 2.)

10 Representatives of all groups that participated seem to agree that the process of
11 technical workgroups and a policy body was the best approach and yielded
12 excellent results in most areas.¹ PPC recommends that this forum continue at
13 least through the development of stage 2 Filing materials.

14 IV. SUMMARY

15 The Filing Utilities' proposal for RTO West satisfies many of the
16 requirements of Order 2000. And the proposal satisfies most principles
17 developed by the Filing Utilities and other parties interested in RTO West,
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24 ¹ Late in the RTO West development process, the Filing Utilities departed from the consensus reached by
25 the policy body. For example, the agreement reached on the voting issue was not reflected in the Filing
Utilities' proposal. *See also the instance described on pages 14-15 herein.* PPC asks the Commission to
discourage the Filing Utilities from such practices in the stage 2 Filing.

1 including the members of PPC. The actual Filing is incomplete, so it is not
2 possible to determine whether RTO West fulfills all requirements of Order 2000.

3 Overall, PPC is concerned that RTO West will provide a freeway to a
4 seriously-flawed California power market, thereby importing to the Pacific
5 Northwest more of California's problems. PPC urges the Commission to
6 reconsider its timeline for the development and establishment of RTOs,
7 particularly RTO West, until all problems have been identified, solutions to those
8 problems have been tested and confirmed, and those solutions are shown to be
9 cost-effective.
10

11 Our final observation relates generally to deregulation and RTOs. Having
12 seen the consequences, and felt the effects, of the deregulated electricity markets
13 that exist in other regions of the nation, PPC's view is that deregulation and RTOs
14 should be viewed with a great skepticism. It appears that industry restructuring is
15 essentially an attempt to commoditize electricity. The goal of sellers of
16 commodities is to maximize profits. Thus PPC believes that bottom-line
17 considerations will become more important than will service and reliability. This
18 shift directly conflicts with the *raison d'etre* of consumer-owned utilities.
19

20 Despite our misgivings, PPC participated, and will continue to participate,
21 in the RTO West formation process. PPC believes RTO West contains most of
22 the characteristics that public power, and other interest groups, requested in order
23 to operate in a deregulated atmosphere. (An acknowledgement that concessions
24
25


1 were made does not, though, imply that the result will be good for public power.)

2 PPC's comments herein are aimed at the remaining characteristics which we feel
3 could use improvement.

4 **V. CONCLUSION**

5 PPC requests that the Commission grant its Motion for Leave to Intervene
6 in this proceeding as a party, with full rights to have notice to and rights of
7 participation in any hearings held in connection with this proceeding; and that the
8 above-mentioned persons be added to the official service list. PPC further
9 requests that the Commission consider PPC's protest and take action to remedy
10 the deficiencies within the Filing Utilities' Filing as described herein.
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12

13
14 Dated this 17th day of November, 2000.

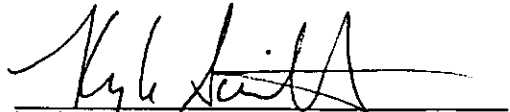
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17 
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22 Attorney for Public Power Council
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25

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Portland, Oregon this 17th day of November, 2000.



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